DOCUMENT RESUME

ED 229 845 EA 015 627

AUTHOR Ross, E. Clarke
TITLE First Year Block Grant Experiences: Initial Studies. Analysis.
INSTITUTION United Cerebral Palsy Associations, Inc., Washington, D.C.
PUB DATE Oct 82
NOTE 23p.; References will not reproduce due to small, light print of original document.
PUB TYPE Collected Works - Serials (022) -- Information Analyses (070)
JOURNAL CIT Word from Washington; v11 n5 Oct 1982

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Block Grants; *Federal Aid; Federal Government; Federal State Relationship; Financial Support; *Government Role; Health Services; Local Government; National Surveys; *Program Administration; Program Descriptions; Social Services; State Government
IDENTIFIERS Multistate Surveys; State Local Relationship

ABSTRACT

Drawing on studies by the U.S. General Accounting Office (GAO) and other federal and state organizations, this document summarizes information and findings on six federal block grant programs involving social services, low-income home energy assistance, mental health, community services, maternal and child health, and preventive health. It also presents some data on three other federal block grants, involving primary care, community economic development in small cities, and elementary and secondary education. Two initial charts provide organizational and financial information on the 9 block grants and also characterize them according to 10 major features, such as matching funds, eligibility prohibitions, and annual audits. Data from a GAO study of 13 states are then used to discuss 9 aspects of the first 6 block grants mentioned above. The nine aspects include state decisions on block grant administration, funding changes (such as cuts or interfund transfers), organizational adjustments, administrative savings, federal regulation, state and local governments' roles in block grant control, public participation, and recent state tax increases. The document's conclusion lists 12 findings regarding block grants' first year and notes 7 future concerns raised by the findings. (RW)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

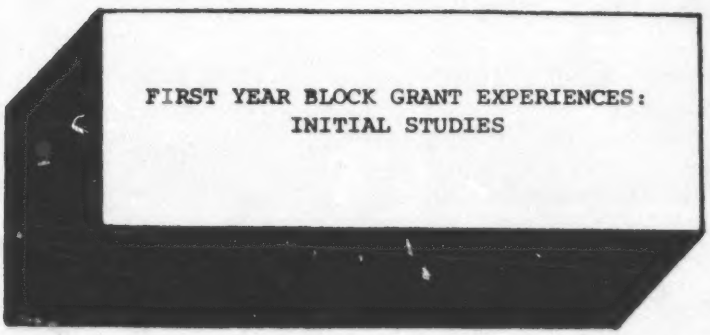
Word from Washington

ED229845

ANALYSIS

Volume Eleven Number Five

In Depth Resource Material
Prepared for Affiliates of
United Cerebral Palsy Associations, Inc.



By

E. Clarke Ross, D.P.A., Director
UCPA Governmental Activities Office

E. Clarke Ross, D.P.A.
Director
Governmental
Activities
Office

United
Cerebral
Palsy
Associations
Inc.

Chester
Arthur
Building
425 I Street
Northwest
Suite 141
Washington,
D C 20001

(202) 842-1266

October, 1982

EA 015 627

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

X This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

E. C. Ross

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

CONTENTS

	Page
INTRODUCTION	1
THE P.L. 97-35 1981 BLOCK GRANTS	2
SOME MAJOR FEATURES OF THE P.L. 97-35 1981 BLOCK GRANTS	3
EARLY EXPERIENCES OF 13 STATES	7
DECISIONS MADE BY THE 13 STATES REGARDING OPTIONAL BLOCK GRANTS	7
FUNDING PATTERNS AND DECISIONS	8
ORGANIZATION OF SERVICES	10
ADMINISTRATIVE SAVINGS	10
FEDERAL LEADERSHIP AND INVOLVEMENT	11
ROLE OF STATE LEGISLATURES	11
ROLE OF LOCAL GOVERNMENT	12
PUBLIC PARTICIPATION	14
NEW STATE TAX INCREASES	14
FIRST YEAR EXPERIENCES: AN OVERVIEW AND FUTURE CONCERNS	15
REFERENCES	17

INTRODUCTION

This paper is another in a series of special reports on the issue of block grants. Previously published Word From Washington Analysis papers on this topic include:

1) "Preparing for Federal Grant Consolidation: A Reexamination and Search for Affiliate Guidance," February 1981, Vol. 10, No. 2.

2) "The Block Grant Debate: Issues and Round One Decisions," August 1981, Vol. 10, No. 8.

3) "Block Grants, Categorized Programs, and The Need To Sort-Out: Middle Ground Approaches to Federal/State Responsibilities," December 1981, Vol. 10, No. 10.

The Administration's "New Federalism" proposals and the current national debate on these ideas are also contained in the September, 1982 WW Analysis, "Changing Policies and Program Trends in Publicly Financed Services to the Developmentally Disabled."

This paper outlines several published studies reviewing the first year implementation experiences associated with the block grants authorized by P.L. 97-35, the "Omnibus Budget Reconciliation Act of 1981." The law was enacted on August 13, 1981 and the new federal fiscal year began October 1, 1981.

THE P.L. 97-35 1981 BLOCK GRANTS (1)

P.L. 97-35 established nine block grants. A synopsis of the nine programs are summarized below:

Federal administering department/block grant	Number of programs replaced by the block grant	Appropriation Levels: Fiscal year 1981	Fiscal year 1982	Percent Increase (decrease)
		millions		
Department of Health and Human Services				
(1) Social Services	2	$2991	$2400	(20)
(2) Low-Income Home Energy Assistance	1	1850	1875	1
(3) Alcohol, Drug Abuse, and Mental Health Services	10	540	432	(20)
(4) Community Services	8	525	348	(34)
(5) Maternal and Child Health Services	10	455	348	(24)
(6) Preventive Health and Health Services	8	93	82	(12)
(7) Primary Care	2	327	247	(25)
Department of Housing and Urban Development				
Community and Economic Development - Small Cities Program	1	926	1020	10
Department of Education				
Elementary and Secondary Education	38	536	470	(12)

SOME MAJOR FEATURES OF THE
P.L. 97-35 1981 BLOCK GRANTS (2)

Feature	Community Development (small cities and rural areas)	Elementary and Secondary Education	Preventive Health and Health Services	Alcohol, Drug Abuse, and Mental Health
1) Nonfederal matching	10% by state if it elects to channel (see "pass-through" below)	None	None	None
2) Earmarking	No	No	Yes, for FYs 1982-84 specific amounts	Yes; specific amounts
3) Specific prohibitions on fundable activities or eligibles	No	No	States may not use funds for inpatient services, cash payments, purchase or improvement of property, or federal matching	States may not use funds for inpatient services, cash payments, purchase or improvement property, or federal matching
4) Transferability of funds	No	No	Up to 7% may be transferred for specified health purposes	Up to 7% may be transferred for specified health purposes
5) Maintenance of effort or non-supplant provision	No	Expenditures must be at least 90% of level for second prior FY. Federal funds must supplement	Federal funds will be used to supplement and not supplant nonfederal	Federal funds will be used to supplement and not supplant nonfederal
6) Pass-through	State qualifies as distributor of block grant only if governor certifies that state will meet four specified conditions. Otherwise, HUD makes distribution	State must pass through at least 80% to local education agencies on basis of enrollment adjusted for number of higher cost children	No	"Earmarking" includes mandated funding in FYs 82, 83, 84 of community health centers federally funded in FY 80

	Feature	Community Development (small cities and rural areas)	Elementary and Secondary Education	Preventive Health and Health Services	Alcohol, Drug Abuse, and Mental Health
7)	Assurances required in application or other statement, regarding:	Adequate information to citizens on funds available, proposed activities --Public hearings --Citizen participation in development of application	--Advisory committee to state education agency --Beginning in FY 84, annual evaluation of program effectiveness	--Criteria to evaluate performance --Cooperation with federal investigations --Identification of program need --Maintenance of records confidentiality	--Criteria to evaluate performance --Cooperation with federal investigations --Identification of program need --Maintenance of records confidentiality
8)	Publication of intended use report for public comment	Yes	Yes, for 20% of state share	Yes	Yes
9)	Public hearings	No such provision	No such provision	By state legislature	By state legislature
10)	Annual report and annual independent audit	Annual audit. Performance report required at times set by Secretary	State provides information Secretary requires for fiscal audit and evaluation of effectiveness	Yes	Yes

	Maternal and Child Health Services	Primary Care	Social Services	Community Services	Low-Income Home Energy Assistance
1)	$3 state for each $4 federal	FY 83--20%, FY--84 33 1/3%	None	None	None
2)	Yes, but no specific amounts	Yes, health centers funded in FY 82 must get same amount in FY 83.	Yes, specific minimums	Yes, at least 90% must go to localities, non-profits, seasonal farm worker groups	No
3)	Similar to Preventive Health and Health Services and Health Services block grant	Only 5% of funds may go to certain community health centers	Similar to Preventive Health and Health Services block grant	May not be used to purchase or improve land or buildings, except for certain energy-related home repairs	Similar to Community Services, with 15% limit on repair
4)	No	No	May transfer up to 10% for specified health and income security purposes	May transfer up to 5% for specified social service & income security purposes	May transfer up t for specified social and health services
5)	No	No	No	No	No
6)	No	See "Earmarking." Also any state not submitting application for FY 83, 84 or not qualifying for its allotment has its allotment distributed directly by HHS	No	See "Earmarking"	No

-5-

9

10

	Maternal and Child Health Services	Primary Care	Social Services	Community Services	Low-Income Home Energy Assistance
7)	--Fair method for alloting funds, guiding health care assessment and services, assuring quality --Assurance that service charges follow public schedule, are not imposed on poor, and are on sliding scale --State agency coordination with Medicaid's early screening and related programs	--Establishment of criteria to evaluate fiscal, managerial, clinical performance --State agency's capability of managing, determining needs, evaluating performance of CHCs	None	--Makeup of governing board of CAA or nonprofit private agency --Prohibition of political activities and transportation to polls --Coordination with emergency energy intervention programs	--Conduct of outreach activities --Coordination with similar and related federal, state activities --Cooperation with federal investigations --Provision of fair administrative hearing for --aggrieved claimants
8)	Yes	Yes	Yes	Yes, Governor required to provide plan of how state proposes to carry out assurances on application	Yes, Governor required to provide plan of how state proposes to carry out assurances on application
9)	No such provision	By state legislature	No such provision	By state legislature	By state legislature
10)	Annual report, two year audit	Yes	Yes, at least every two years	Annual report to public but not to federal agency; annual independent audit	Annual report to public but not to federal agency; biennial independent

The U.S. Advisory Commission on Intergovernmental Relations (ACIR) has observed, "the strong state orientation of the new blocks expands the state role and reduces somewhat the local role in the overall federal grant system." (2)

EARLY EXPERIENCES OF 13 STATES (1)

Between mid-December 1981 and the end of February 1982, the U.S. General Accounting Office (GAO) visited 13 states across the country. To attain geographic balance, at least one state was selected in every standard federal region. In total, the 13 states accounted for approximately 45% of the 1982 block grant funds and an equivalent portion of the nation's population. In total, about 600 state officials were interviewed. The states were Vermont, Massachusetts, New York, Pennsylvania, Michigan, Kentucky, Mississippi, Florida, Iowa, Colorado, Texas, Washington, and California.

The GAO report represents actions taken or planned as of March 1, 1982. Three of the nine block grants (primary care, education, and small cities) were not in operation during this time period and thus there are no GAO observations on these programs.

DECISIONS MADE BY THE 13 STATES REGARDING OPTIONAL BLOCK GRANTS

The education, primary care, and small cities block grants were not operating at the time of the GAO review. The social services and energy assistance programs were not new block grants but merely modified existing block grants. States had the option of retaining their prior programs or administering the new blocks in the four remaining authorizations.

State	Maternal and Child Health Services	Preventive Health and Health Services	Alcohol, Drug Abuse, and Mental Health Services	Community Services
California	N	N	N	N
Colorado	X	X	X	N
Florida	X	X	X	N
Iowa	X	X	X	X
Kentucky	X	X	X	X
Massachusetts	X	X	X	X
Michigan	X	X	X	X
Mississippi	X	X	X	X
New York	N	N	X	N
Pennsylvania	X	X	X	X

State	Maternal and Child Health Services	Preventive Health and Health Services	Alcohol, Drug Abuse, and Mental Health Services	Community Services
Texas	X	X	X	N
Vermont	X	X	X	X
Washington	X	X	X	X
Total number electing to administer the block grant programs	11	11	12	8

X = States electing to administer the block grant programs

N = States not opting to administer the programs

FUNDING PATTERNS AND DECISIONS

The GAO study concluded that the early block grant implementation efforts of the states largely centered around coping with federal funding reductions. (1)

Regarding the three health block grants as well as the Community Services block, some adjustments were made but activities initially funded by most of these block grants did not differ markedly from those under prior programs. In the 13 GAO visited states, 62% of the 1981 categorical awards in the three health block grants and Community Services block were funded into the third quarter of FY 1982.

Generally, initial block grant funding decisions followed priorities established under the predecessor programs according to the 13 states' officials. When adjustments were made due to the reduced funding levels, officials most often reported making reductions on a proportional basis. Funding under the Social Services block grant varied considerably from this general pattern.

Inter-fund Transfers

None of the 13 states studied by the GAO transferred funds out of the health block grants. Only two states transferred funds from the Community Services program; Pennsylvania transferred 5% of these funds to the Head Start program and Kentucky transferred 5% to the Older Americans Act. Seven of the 13 states (CA, FL, IA, NY, VT, KT, and WA) transferred up to 10% of their Low Income Energy Assistance funds into the Social Services block grant. This

energy assistance transfer involved $25 million. In addition, Kentucky transferred 1% of these funds to health services and Washington shifted 3.5% to Community Services. In a May 5, 1982 statement to the Senate Subcommittee on Intergovernmental Relations, Governor Christopher S. Bond revealed that Missouri, having experienced a Social Services reduction of over $13 million or 22% cut from 1981, transferred $4 million from the energy assistance block to the Social Services block. (3)

- Social Services Funding

The GAO documented that 10 of the 13 states studied prioritized certain services and thus curtailed other services under the Social Services program. For example, Texas prioritized child protective services, child day care, community care services, and family violence shelters over services to the handicapped. It was the belief of Texas Department of Human Resources officials that services to the handicapped should be financed by the state agency with primary responsibility for the handicapped. (1)

Governor Bond testified that in Missouri, in addition to the previously discussed energy assistance transfer, the state legislature appropriated $6 million in new state funds for child preventive health and child abuse and neglect to help offset some Social Services related programs. A standard negotiated rate for child day care resulted in a $1.3 million reduction. And reductions were made in state staff, equipment, and administrative expenses because of less federally required paperwork. After these actions, Missouri's Social Services reduction from 1981 was 13% rather than the initial 22%. (3)

Of the 45 states responding to a House Aging Committee Human Services Subcommittee survey, 16 indicated they reduced homemaker services, nine were reducing or eliminating chore services, 10 reduced or eliminated congregate and home-delivered meals, 10 reduced adult day care, and three reduced in-home care under the Social Services block grant. According to the Subcommittee, the reduction of these services has increased the tendency of the states to institutionalize functionally handicapped elderly persons. (4)

- Maternal and Child Health Services

According to the GAO, three of the 13 states they studied planned to use the latitude available under the Maternal and Child Health (MCH) program to reduce funding for certain projects they were required to support under the predecessor program. For example, Iowa reduced individual projects delivering MCH services and reallocated funds to larger client service centers. (1)

Regarding MCH in Missouri, Governor Bond testified that "sub-state specialty projects established under the old categorical programs" were "significantly reduced" by as much as 50%. The Governor observed that "while many of these programs are meritorious, the limited scope of the projects convinced us ... to reduce funding." As a result, $800,000 was "freed up" and passed to the counties in the form of block grants. Eight counties which never had child health programs now have them. The only state requirements are health services for children and well-baby care and health screening. (3)

ORGANIZATION OF SERVICES

In the 13 states studied by the GAO, because of their prior experience, relatively few organizational adjustments were needed or made during the early block grant implementation period. The Community Services block grant generally required more administrative changes because the vast majority of federal funds before the block grant had gone directly to community action agencies and local grantees. (1)

In a recent American Society for Public Administration publication (5), it was reported that executive branch reorganization as a tool for change and reform in state government, is declining after a flurry of such overhauls in the 1960's and 1970's. There have been no major reorganizations among state governments since 1977. Three reasons for diminished activity in state executive branch reorganization are:

- Most governors and state administrators think structural overhaul is unnecessary in their state. In their 1981 "state of the State" addresses, not a single governor discussed reorganization which compared to 15 governors announcing reorganization plans in 1973. In a 1978 survey of 1,400 key state agency administrators, 62% thought their states did not need major reorganizations.

- The reorganizing that has occurred recently has been incremental, involving few agencies or functions. Incremental tactics tended to fare better with legislatures and voters than did more ambitious tactics.

- Governors and other state officials have been preoccupied with other concerns, primarily with budget crises and the "New Federalism" debate. More emphasis has been placed on economy and productivity reforms than in structural change.

ADMINISTRATIVE SAVINGS

The Reagan Administration has argued that states could absorb large budget reductions with block grants because of the administrative savings which would result. The GAO study concludes: "Although many States anticipate some efficiencies from block grant implementation, they are uncertain about the magnitude of cost savings. Some officials offered their early impression that administrative cost savings would not compensate for budget reductions." (1)

Florida expects to save $1 million annually by deleting certain applications and expects to save $200,000 annually by streamlining procedures for monitoring recipient eligibility. Pennsylvania hopes to save $5.2 million by deleting federal reporting requirements and California anticipates a $200,000 saving by simplifying statistical reporting and plan preparation.

FEDERAL LEADERSHIP AND INVOLVEMENT

Regulations issued by HHS, HUD, and ED governing the nine block grants contain few interpretations of the block grant legislation and encourage states to refer directly to the statute for guidance. As a result, block grant submissions vary considerably in detail.

The GAO found that many states stressed that the lack of reliable and timely information about funding and other matters complicated transition planning, particularly in those instances where funds had previously gone to non-state entities. The GAO observed that "problems were mitigated, however, as states turned to grantees, professional organizations, and other sources for information." (1) Thus, UCPA affiliates, by reading and understanding the Word From Washington and other communications can influence state government decisions by being a source of reliable information.

The GAO also observed that "concerns that the lack of standard program data could make national assessments difficult have prompted certain States for some block grants to work together to maintain or develop reporting systems. A key issue is whether this voluntary approach will produce sufficient information for national policymaking." (1)

ROLE OF STATE LEGISLATURES

The GAO reported that legislatures in all 13 states were either involved or consulted in early block grant management and budget decisions. Ten of the legislatures enacted additional measures influencing block grant implementation and/or enhancing their oversight of future decisions while seven also enacted laws increasing their authority to appropriate federal funds and/or their ability to review block grant applications and plans. Of the 13 states, 12 have the authority to appropriate grant funds and the 13th - Colorado - is currently engaged in legislature/executive negotiations over this issue. (1)

The National Conference of State Legislatures reports that during 1981, almost half of the 50 state legislatures enacted laws increasing their involvement in the oversight of federal funds. (6)(7) Twenty-three states instituted new or special legislative procedures to deal with block grants. Most commonly states passed legislation requiring some form of legislative sign-off as a prerequisite to the expenditure of block grant funds. There are five major mechanisms for legislative oversight, with many states having adopted more than one of the processes.

- Appropriations: 36 states currently directly appropriate funds on a lump sum or program specific basis.
- Legislative Approval: Seven states require legislative approval of funds as a prerequisite to their expenditures.
- Interim Control: 27 states have in place some legislative or joint legislative-executive committee to oversee federal funds received when the legislature is not in session.
- Grant Application Review: Six state legislatures have approval authority over grant applications and 10 others have review and comment jurisdiction.
- Special Legislative Committees: Ten legislatures have set up special committees or subcommittees solely for the purpose of monitoring federal funds.

The NCSL has also identified several problems in attempting to implement the 1981 block grants:

- Insufficient lead time for legislative review and appropriation of block grants;
- Strings attached to the block grants;
- Reduced funding levels;
- Uncertainty in federal funding levels;
- State match requirements; and
- Redefining the federal-state relationship.

ROLE OF LOCAL GOVERNMENT

The Coalition on Block Grants and Human Needs (CBGHN) has discussed the concern of city officials regarding their role in block grant planning and resource allocation. (8) A November 1981 U.S. Conference of Mayors (USCM) survey of 100 cities revealed that 55% said their states had neither consulted them nor offered an opportunity to participate in block grant decisionmaking, 38% said they were unable to get information from their states on block grant implementation, and 58% expected to lose funds as a result of block grants. According to USCM, a few states, including Virginia and Florida, have made efforts to involve local governments in block grant planning and implementation.

The U.S. Advisory Commission on Intergovernmental Relations (ACIR) has issued a report on the degree of discretionary authority of local governments. (9) The Commission ranked all 50 states according to a composite index of discretionary authority in four areas. The chart below ranks the states with the states granting the highest degree of local discretion at the top:

- States Ranked By Degree of Local Discretionary Authority, 1980 (9)

	A Composite (all types of local units)	B Cities Only	C Counties Only	Degree of State Dominance of Fiscal Partnership*
1	Oregon	Texas	Oregon	2
2	Maine	Maine	Alaska	2
3	North Carolina	Michigan	North Carolina	1
4	Connecticut	Connecticut	Pennsylvania	2
5	Alaska	North Carolina	Delaware	1
6	Maryland	Oregon	Arkansas	2
7	Pennsylvania	Maryland	South Carolina	2
8	Virginia	Missouri	Louisiana	2
9	Delaware	Virginia	Maryland	1
10	Louisiana	Illinois	Utah	1
11	Texas	Ohio	Kansas	2
12	Illinois	Oklahoma	Minnesota	2

	A Composite (all types of local units)	B Cities Only	C Counties Only	Degree of State Dominance of Fiscal Partnership*
13	Oklahoma	Alaska	Virginia	1
14	Kansas	Arizona	Florida	2
15	South Carolina	Kansas	Wisconsin	1
16	Michigan	Louisiana	Kentucky	2
17	Minnesota	California	California	2
18	California	Georgia	Montana	3
19	Missouri	Minnesota	Illinois	2
20	Utah	Pennsylvania	Maine	2
21	Arkansas	South Carolina	North Dakota	1
22	New Hampshire	Wisconsin	Hawaii	3
23	Wisconsin	Alabama	New Mexico	2
24	North Dakota	Nebraska	Indiana	2
25	Arizona	North Dakota	New York	2
26	Florida	Delaware	Wyoming	2
27	Ohio	New Hampshire	Oklahoma	3
28	Alabama	Utah	Michigan	1
29	Kentucky	Wyoming	Washington	1
30	Georgia	Florida	Iowa	2
31	Montana	Mississippi	New Jersey	3
32	Washington	Tennessee	Georgia	2
33	Wyoming	Washington	Nevada	2
34	Tennessee	Arkansas	Tennessee	2
35	New York	New Jersey	Mississippi	3
36	New Jersey	Kentucky	New Hampshire	3
37	Indiana	Colorado	Alabama	2
38	Rhode Island	Montana	Arizona	2
39	Vermont	Iowa	South Dakota	2
40	Hawaii	Indiana	West Virginia	1
41	Nebraska	Massachusetts	Nebraska	3
42	Colorado	Rhode Island	Ohio	2
43	Massachusetts	South Dakota	Texas	3
44	Iowa	New York	Idaho	2
45	Mississippi	Nevada	Colorado	1
46	Nevada	West Virginia	Vermont	2
47	South Dakota	Idaho	Missouri	3
48	New Mexico	Vermont	Massachusetts	1
49	West Virginia	New Mexico	-	1
50	Idaho	-	-	2

Key:

1 - State dominant fiscal partner
2 - State strong fiscal partner
3 - State junior fiscal partner
Applies to states in column A

SOURCE: ACIR survey and staff calculation

Since the cities and counties carry the greatest weight in the composite by virtue of their high proportions of nonschool local direct general expenditures, the states are ranked separately on these two indices in the second and third columns. Units of government included in the survey were cities, towns, villages, townships, borroughs, and counties. The chart above does give a general indication of the amount of local discretion that states give to their general purpose local governments as a whole.

PUBLIC PARTICIPATION

The GAO study of 13 states also examined the issue of public participation. The GAO concluded that most state plans were not changed as a result of public comments because state officials generally believed that their ability to obtain comments was restricted by the short time available before block grant applications had to be filed.

Even though not required by HHS regulations, 11 of the 13 states held some type of public hearings. However, the number of block grants covered and the number of hearings varied considerably. Attendance at the hearings in the 11 states varied from 25 to 7,000.

Everyone of the 13 states visited by GAO had established a citizens' advisory group. Seven of the states circulated block grant plans to local agencies and service providers. California used its 58 counties in developing its Social Services plan. In Pennsylvania, the Governor's Human Resources Committee conducted six regional forums and over 200 meetings in 51 of the state's 67 counties in obtaining the views of over 1,700 individuals from 500 organizations and units of local government.

NEW STATE TAX INCREASES

> "The conventional wisdom dictates that raising taxes in an election year is to be avoided at all costs, but many state legislators have been forced to disregard that maxim in 1982." (10)

With state revenues depressed by the national recession and federal aid cutbacks, state legislatures across the country have been raising taxes in an effort to balance state budgets. Accordingly to the National Association of Tax Administrators, in 1981, 29 of the 41 states reporting to their survey indicated that general fund revenues were falling short of official projections. (10) The New York based Tax Foundation estimated that states raised taxes $3.8 billion in 1981 and are considering an additional $6.8 billion raise in 1982. (10) Total state tax revenues in 1982 are $160 billion.

In 1981 and 1982, 11 states raised income or sales taxes, or both. The excise tax on cigarettes was increased in 10 states, alcoholic beverage taxes were hiked in 19 states, gasoline taxes went up in 27 states, and six states boosted corporation taxes. The 1982-82 tax activity should be seen in

perspective. During 1978-1980, 31 states reduced income or sales taxes; there were no income tax increases in any state; and only two states increased the sales tax. The 1981-82 tax increases have merely moved state taxes back toward their previous level, not pushed them to new heights. (10)

FIRST YEAR EXPERIENCES: AN OVERVIEW AND FUTURE CONCERNS

- Summary

This paper has documented, through the work of others, mostly representatives of government, a number of early findings regarding the first year of block grant implementation. These findings are:

(1) Early state government implementation efforts largely centered around coping with federal funding reductions.

(2) Only California, New Hampshire, and New York did not assume responsibility for some or all of the block grants that became effective in FY 1982. (11)

(3) Funded activities and recipients under the three health block grants and Community Services block grant generally followed the pattern under the predecessor programs.

(4) Low Income Energy Assistance funds were frequently transferred to other programs.

(5) The Social Services block grant has experienced substantial reprioritization of funded activities with some service categories of immediate interest to the disability community being deemphasized and defunded.

(6) There has been no significant reorganization of state services.

(7) There have been administrative cost savings but these have not compensated for the federal budget cuts.

(8) State legislatures are substantially increasing their authority and influence over federally defined block grants.

(9) Cities generally believe that they are not being adequately involved in block grant decisionmaking.

(10) State plans and preliminary decisions have generally not been changed by public comments.

(11) Reversing the 1978-1980 experience, states are increasing state taxes.

(12) Because of the Reagan Administration's ideology and resulting refusal to provide federal guidance, policy makers, professionals, and advocates fear that any national assessment of the impact of block grants may be impossible.

- Future Concerns

These preliminary findings raise a number of concerns. The U.S. Advisory Commission on Intergovernmental Relations has discussed three of these concerns (11):

(1) "Some observers question whether the states will give local units what the latter consider to be a 'fair share' of federal block grants."

(2) "A related area of doubt concerns whether the discretion that the block grant and regulatory relief initiatives seek to give subnational units will be reinforced or thwarted by the states." Will state "strings" replace federal rules?

(3) "A third area of interest has to do with the states' institutional capacity to shoulder more 'middlemen' responsibilities." Friction could increase between state legislature and executive and between state and local government.

In addition to these three concerns, advocates for disabled recipients of government services must raise other questions. These relate to UCPA's mission:

(4) Will nonprofit organizations, service providers and advocates, be able to move beyond their immediate fiscal problems and adequately represent the best interests of the primary consumer?

(5) Will state level nonprofit organizations be able to effectively organize to influence state legislative decisions?

(6) Are federal procedural requirements the only method we have to insure meaningful public participation in state decisions? How can we best guarantee that states develop mechanisms which obtain and respond to citizen views and needs?

(7) If the federal government is not going to develop standardized program reports, will national assessments of program performance now pass to the nonprofit, professional, and subnational government level? Do UCPA affiliates possess the concern, interest, resources, and time to collect program performance data? Does UCPA, Inc. possess the capability to collect, analyze, and publicize program performance data on a national level? Do we have a choice if our mission is to be achieved?

It has been 14 months since the enactment of the P.L. 97-35 block grants. Preliminary findings are just now being published. And while we seek to analyze program impact and enhance our state affiliates' governmental activities abilities, the national debate over "New Federalism" will continue.

REFERENCES

(1) U.S. General Accounting Office. Early Observations On Block Grant Implementation. Washington, D.C.: GAO, August 24, 1982. (GAO - GGD-82-79).

(2) Walker, David B.; Richter, Albert J.; and Colella, Cynthia Cates. "The First Ten Months: Grant-in-Aid, Regulatory, and Other Changes." In: Intergovernmental Perspective: A Threshold Year for Federalism.: Washington, D.C.: U.S. Advisory Commission on Intergovernmental Relations, Winter 1982. Vol. 8, No.1, pages 5 - 22.

(3) Bond, Christopher S., Governor of Missouri. May 5, 1982 testimony, on behalf of the National Governors' Association, to the Senate Subcommittee on Intergovernmental Relations.

(4) Brazda, Jerome, editorial director. "Perspectives." In: Washington Report on Medicine and Health. Washington, D.C.: McGraw-Hill Publishers, April 12, 1982.

(5) Garnett, James L. "State Government Reorganizations Decline." In: Public Administration Times. Washington, D.C." American Society for Public Administration, September 15, 1982. Pages 2 and 8.

(6) National Conference of State Legislatures, Fiscal Affairs Program. Block Grants: A New Chance for State Legislatures To Oversee Federal Funds. Denver, Co.: NCSL, 1982.

(7) National Conference of State Legislatures. "States Increase Legislative Oversight." In: Dateline Washington. Washington, D.C.: NCSL, March 22, 1982. Vol. VII, No. 4, Page 2.

(8) Coalition on Block Grants and Human Needs. Briefing Book on Block Grants and the New Federalism. Washington, D.C.: CBGHN, April, 1982.

(9) American Society for Public Administration. "States Offer Varying Discretionary Authority." In: Public Administration Times. Washington, D.C.: ASPA, July 15, 1982. Page 3.

(10) Gold, Steven and Pilcher, Dan. "State Tax Increases: Rx for Ailing Budgets." In: State Legislatures. Denver, Co.: National Conference of State Legislatures, July/August 1982. Pages 7-11.

(11) Lawson, Jean and Stenberg, Carl W. "Rebalanced Federalism: The States' Role and Response." In: Intergovernmental Perspective: A Threshold Year For Federalism. Washington, D.C.: U.S. Advisory Commission on Intergovernmental Relations, Winter 1982. Vol. 8, No. 1, Pages 30-41.

Word from Washington

E. Clarke Ross, D.P.A.
Director
Governmental
Activities
Office

United
Cerebral
Palsy
Associations
Inc.

Chester
Arthur
Building
425 I Street
Northwest
Suite 141
Washington,
D.C. 20001

(202) 842-1266

FIRST CLASS MAIL
U.S. POSTAGE
PAID
Cedar Rapids, Iowa
Permit 28

BEST COPY AVAILABLE

FIRST CLASS MAIL